



the

COMMONWEALTH

Richmond District Office

<http://www.sba.gov/va/>

April, 2000

A Message from... the District Director

As you are reading this newsletter, plans for the 2nd Annual Virginia Lenders Conference will have been completed. This event, which is fast becoming one of the finest of its kind in the nation, once again promises to provide pertinent, up to date information on issues affecting the Virginia lending community. We in the Richmond District are very proud of this event and hope that you have registered along with your peers to be in Natural Bridge on May 10-12.

Thanks to all of you, the SBA Richmond District Office continues to excel in providing assistance to Virginia's small business community. We are particularly proud of organizations like the Virginia Community Development Loan Fund (VCDLF). At this point half way through the federal fiscal year VCDLF leads all lenders in Virginia in the number of loans approved through the SBA. What makes this achievement more remarkable is that VCDLF is a micro-enterprise lender. We congratulate VCDLF's director, Mr. Tim Hayes, for his outstanding efforts in serving a business community that much of the time is left on the sidelines of economic development.

It is also with special pride that I note the 35th anniversary of the Richmond SCORE Chapter 12. This organization of the Service Corps of Retired Executives is the oldest chapter in Virginia. During its tenure members have conducted more than 30,000 counseling sessions, and more than 10,000 individuals have attended its business workshops. Happy Birthday Richmond SCORE Chapter 12!

As Small Business Week 2000 approaches let us not forget how important the small business entrepreneur is to the American economy. These risk takers and innovators drive America's economic engine and it is because of them that America is the envy of every other country in the world. Please plan on joining us on June 9 at the Marriott Hotel in Richmond when we honor Virginia's small businesses. Nigel Morris, President and Chief Operating Officer of *Capital One* will be the guest speaker.

Charles Gastón
District Director

LENDING RESULTS through 3/31/00

TOP LENDERS

<u>MAJOR BANKS (OVER \$500 MIN ASSETS)</u>	<u># of Loans</u>
Wachovia Bank	19
Bank of America	15
BB&T of Virginia	6 TIE
SunTrust Bank	6 TIE

COMMUNITY BANKS (UNDER \$500 MIN ASSETS)

	<u># of Loans</u>
Southern Financial Bank	26
Resource Bank	14
First Bank	7

NON-BANK LENDERS

	<u># of Loans</u>
Transamerica Small Bus. Capital, Inc.	12
The Business Loan Center	9
Commercial Capital Corporation	5

CERTIFIED DEVELOPMENT COMPANIES

	<u># of Loans</u>
Virginia Asset Financing Corp.	23
Tidewater Business Financing Corp	14
James River Development Corp.	3 TIE
Virginia Economic Dev. Corp.	3 TIE

MOST IMPROVED LENDERS (2 or more loans, YTD FY00 vs. FY99)

First Bank	Up 250%
BB&T of Virginia	Up 100%
First National Bank (Christiansburg)	Up 100%

TOP MICROLENDERS

Virginia Community Development Loan Fund	33
People Incorporated of Southwest Virginia	8
Richmond Economic Development Corporation	4

TOP PreQual Intermediaries (# of PreQuals successfully obtaining loans)

SBDC of Hampton Roads, Inc.	13
Longwood SBDC	9
Virginia Highlands SBDC	4

RICHMOND D.O. RESULTS

	<u>GOAL</u>	<u>YTD</u>
Total Loans	804	281
Minority Loans	172	72
African American-owned	93	30
Hispanic-Owned	16	6
Asian-Owned	57	33
Women Loans	255	69
Veteran Loans	181	38
Export Working Capital Loans	4	1

SBA OFFERS TRAINING FOR PROSPECTIVE BORROWERS

The Richmond District Office has launched a new initiative to assist borrowers to be more prepared when they approach a bank for financing. The program is a half-day workshop, which will be conducted on the third Friday of each month, and will discuss what the banker is likely to want from the potential borrower, and what the SBA will require as well. The workshop will be conducted in the SBA conference room located in the Federal Building at 400 N. 8th Street, 11th Floor, Room 1150, Richmond, VA starting at 9:00 a.m.

Over the years, prospective borrowers have expressed frustration with getting accurate information about the SBA's loan programs and a similar frustration about knowing what information they need to prepare in order to make a good loan package for a bank. This workshop is designed to provide a service to the borrower and the banking community is encouraged to send prospective clients to this workshop. **The dates for the workshops are: April 21, May 19, June 16, July 21, August 18, September 15, 2000, and the third Friday of each month thereafter.**



SBA Virginia Lenders' Conference Year 2000

May 10-12, 2000

At the Natural Bridge Inn & Conference Center

Hopefully, by now you have made arrangements to attend the Virginia Lender's Conference to be held at Natural Bridge on May 10-12. We have a superb line-up of speakers and break-out sessions that will be of tremendous interest, including, Donald W. Upson, Secretary of Technology of Virginia, David Dickson, Virginia Department of Business Assistance, and Jane Butler, Associate Administrator for Financial Assistance of SBA.

Those of you that attended last year's conference will remember the great networking events and valuable contacts that were made. This year should be even better, with another **golf tournament sponsored by Trans-america Small Business Capital** and the **popular Casino Night**. If you have not made arrangements yet, it may not be too late to do so. Contact Peggy FaJohn at (804)771-2400, ext. 153.

CONFERENCE OBJECTIVES:

- (1) To serve as a vehicle to provide the lending community with relevant, up-to-date economic, financial, and industry news.
- (2) To provide valuable information on SBA programs and guidelines, which constantly change reflecting the business environment.

WHY ATTEND?

- ◆ To network with other small business lenders and other industry professionals
- ◆ To meet SBA officials who establish the policies that affect SBA loan programs

- ◆ To receive up-to-the-minute details on SBA loan program changes
- ◆ To hear from leading government and industry speakers
- ◆ To attend networking events including:
 - **Golf Tournament**
 - **Casino Night**
 - **Dinners & Receptions**
 - **Visit one of the Seven Natural Wonders of the World**

Peggy FaJohn, Conference Coordinator

LENDERS ENCOURAGED TO USE ELECTRONIC FUNDS TRANSFER TO REMIT GUARANTY FEES

As part of transforming the U. S. Small Business Administration (SBA) into a 21st century financial institution, SBA is striving to establish a uniform payment process between SBA and our participating lenders through the use of electronic funds transfer.

A part of this effort includes streamlining the up-front guaranty fee payment process. To maximize operating efficiency and to improve transactions with our participating lenders, field offices are to encourage participating lenders to use the electronic transfer of the funds to pay the up front guaranty fee.

Use of the electronic transfer of funds process will accelerate the collection of funds and will provide automatic proof of the guaranty payment transaction.

Instructions for lenders on how to send money to SBA electronically are available. Lenders should contact the SBA Action Desk of the Denver Finance Center (OFOAction@sba.gov) at 303-844-2411 to arrange setup and establish accounts that will allow the following electronic transactions:

1. Payment of Guaranty Fees
2. Refund of duplicate and overpaid Guaranty Fees
3. Distribution of lenders' share of the recoveries on SBA serviced loans

For any questions regarding this matter, please contact James Hammersley/Jihoon Kim at (202) 205-6481.

Marketing SBA Loans in A Competitive Environment

We all know that we are in a competitive loan market today and have to be very conscious of what fees we are charging a borrower. This became even more of a problem when SBA went to a tiered loan fee for loans over \$100,000. We all know the basic rule that the guaranty fee starts at 2% of the guaranteed portion of the loan for loans up to \$100,000; 3% of the guaranteed portion for loans between \$250,000 and \$500,000 and so on up to 3.875% on the final \$250,000 that SBA can guaranty. But you know what? The borrower does not care that the fee is only on the guaranteed portion, only the lender does, and the lender always wants SBA to guaranty as much of the loan as possible. Therefore it is safe to express the fee as a percent of the total loan so that it sounds much more palatable to the borrower.

When you quote the SBA fee on loans up to \$333,000, use the following rates - Loans of \$100,000 or less - **1.6%** and loans between \$100,001 and \$333,000 - **2.25%**.

When the loan is larger, the process is more convoluted since the fee increases on \$250,000 increments, but the

process is the same. Calculate the fee first and then divide that by the amount of the loan. For instance, the maximum SBA fee includes a fee rate of 3.875%, but the total fee of \$25,937.50 is only 2.59% of the loan, less than what we normally quote on even a \$105,000 loan. If the loan is larger, the fee continues to fall as a percentage of the loan.

*...express the [guaranty]
fee as a percent of the total
loan so that it sounds much
more palatable to the
borrower*

If you have attended a full day SBA lender training course this year, the training manual included a list of Key SBA Information on the back of the manual which included the about rate conversions. If you would like a copy, contact Andy Keller at 804 771-2400 x146 and he will be happy to send you a copy. The Richmond District Office's free loan processing software also includes an automatic fee calculation. All you have to do is enter the loan amount and it determines the fee, expresses it as a percentage of the loan and enters it on the proforma balance sheet. Everything but pay it for you.

Speaking of paying the fee, do not forget that it is due within 90 days of loan approval. This may not be extended and may not be charged to the borrower until the loan is disbursed.

EMPLOYEE UPDATES

We have had several staff changes in the Richmond District Office. In several instances, employees phone extensions have changed. We have enclosed an updated staff listing with updated information. Here is a listing of the changes:

Jimmie Anderson is now the Deputy District Director.

Bette Hodges has transferred back to the Liquidation Division.

Andy Keller is responsible for all Lender, prospective borrower and other training. Call Andy if you would like information about training events.

Josette Mills is now serving as our Receptionist. You may have spoken with her when registering for various training events.

Bob McLoone is back in our Finance Division and also is now serving as the Project Officer for the Small Business Development Center Network.

Judy Sayers has changed positions within SBA, and is now a Procurement Center Representative at the Defense Supply Center Richmond.

Delores Ward is an Administrative Clerk who assists all divisions with various tasks.

Emma Wilson is now working in our Economic Development-Finance area processing PreQualification Loans.

EXECUTIVE COST ACCOUNTING SEMINARS OFFERED TO 8(a) FIRMS

The Executive Cost Accounting Seminar presented an excellent training opportunity for our 8(a) firms. The seminar series was offered through the U.S. Small Business Administration, Richmond District Office. PROCAS, LLC and Enterprise Integration Corporation (EIC) presented the seminar on Friday, October 22, 1999, from 9 AM until noon at the Federal Building, Suite 430, 400 North 8th Street, Richmond, VA.

Attendees left the seminar with a sample chart of accounts, a template for an annual budget, indirect rate calculation formulas, a cost proposal model and examples of financial and management reports. The information received can be used in conjunction with an off-the-shelf commercial accounting package or a specialized accounting system for government contractors.

The Executive Cost Accounting Seminar is the first of several seminars to be held by the Richmond District Office 8(a) Business Development staff in conjunction with PROCAS, LLC a Certified Public Accounting firm with experience in the development, implementation and operation of accounting systems for government contractors. The Seminars are offered FREE OF CHARGE to all 8(a) Certified firms serviced by the Richmond District Office.

FOR MORE INFORMATION ON UPCOMING SEMINARS, CONTACT ERNESTINE B. HARRIS AT (804) 771-2400, EXT. 120.

THE SOURCE

Tidbits From the Past
By Lorraine Dismond
Lead Loan Specialist, ED

The beginning of the 21st Century is a great time to jog your memory to see how many SBA tidbits you can recall. Look below to see how you measure up...

- For lender serviced loans, the lender may accept partial or full prepayments of the loan account. For loans approved by SBA after February 14, 1985 and sold on the secondary market, the **lender must give 10 days advance notice to the secondary holder or FTA of any intended prepayment of the note. (Refer to SBA Form 1086 for further details.)**
- For development company loans, the ALP-CDC may approve the partial or full prepayment of the participating third party loan.
- A field office (district, branch, or the PLP processing center) **must** transfer all SBA loans, whether serviced by SBA, a lender or a CDC to the appropriate SBA Commercial Loan Servicing Center (CLSC).
- The CLSC that services loans originating from the Richmond District Office is located in Little Rock, Arkansas. The address and telephone number are:
U. S. Small Business
Administration
Commercial Loan Servicing
Center
2120 Riverfront, Suite #100
Little Rock, Arkansas 72202
(501) 324-5871 x303
- Before a loan can be transferred to a servicing center, the loan must:
 1. Be fully disbursed
 2. Be current in payments (under 30 days past due)
 3. Be "in regular servicing" status
 4. Have the guaranty fee paid

The Source is continued on next page.

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Richmond, Virginia 23240-0126
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FAX NUMBERS: (804) 771-2764 (MAIN) (804) 771-8018 (District Director)
(804) 771-2580 (Finance Division) TDD NUMBER: (804) 771-8078

THE SOURCE

(continued from Page 4)

- The following loans are also transferred to the CLSC:
 1. Are classified as "returned to regular servicing" status and;
 2. Have been returned to regular servicing status because the borrower has made at least three payments as agreed.
- Which loans will the CLSC transfer back to the field office/district office:
 1. Loans which are 60-120 days or more past due and for which a workout plan with the CLSC

- is not possible.
- 2. Loans to be classified as "in liquidation"
- 3. Loans (when requested) for which the field office is processing a new SBA loan application
- 4. Loans which have complicated loan workouts
- 5. Loans with an irregular payment plan which requires frequent adjustment
- What is SBA's practice in requiring appraisals?
- 1. Loan is placed in Liquidation status, and it appears that collateral will be disposed of;

2. Collateral is believed to have significant value.
3. Possibility exists that suite will be brought against the remaining obligors for deficiency balance.

If you remembered all of the above facts, congratulations! If you did not remember, do not despair, you will be seeing this information again.

"It is the tragedy of the world that no one knows what he does not know – and the less a man knows, the more sure he is that he knows everything." – Joyce Cary

Lender Oversight Revisited

By Lorraine Dismond
Lead Loan Specialist, ED

SBA has implemented its first 3-year cycle of reviewing all participating lenders. The purpose of the reviews is to educate and work with you, the lender, to address performance issues. This review system mandates that a lender with generally moderate loan activity will receive only one review per 3-year cycle unless they are a PLP/PLCP lender. (PLP/PLCP lenders are required to be reviewed on an annual basis.)

Lenders will be selected for review based upon benchmarks established for their programs. The benchmarks provide SBA a means of determining which lenders get reviewed and in what priority.

The 7(a) performance benchmarks are:

Currency rate <= 70%
Delinquent rate >= 11%
Default rate >= 9%
Liquidation rate >= 7%
Loss Rate >= 6%

The 504 performance benchmarks are:

Currency rate <= 90%
Delinquent rate >= 5%
Default rate >= 9%
Liquidation rate >= 5%
Loss rate >= 3%

Actual reviews will be scheduled according to the following priority system:

- Lenders that meet the benchmark performance in only zero or one of the five benchmarks. For any Lender in this category a review is required regardless of the date of the previous review.
- Lenders that meet benchmark performance in 2 of the five benchmarks.
- Lenders that meet benchmark performance in 3 of the five benchmarks.
- Lenders that meet benchmark performance in 4 of the five benchmarks.
- Lenders that meet benchmark performance in 5 of the five benchmarks.

Any lender from any program **MUST** be reviewed each year that it fails to meet benchmark performance in only zero or one category.

Lenders will be reviewed at their centralized processing or servicing centers or at the corporate headquarters. Multi-branch lenders that extend SBA lending decisions to each branch will be evaluated at their branch headquarters. The field office that covers the location of the lender's corporate headquarters or processing center will be the primary district office responsible for conducting the lender review.

The review of the files will be done using a checklist of "Lender Review Elements." The checklist can be found in the "Oversight Guide", pages A30-81

through A30-86. The guide can be downloaded from our website at the following address: www.sba.gov/banking.

In the review elements, items 1 through 75 will be used for the review of each individual loan. Items 76 through 105 will be used for the review of the lender oversight capabilities and will not be loan specific.

As a means of expediting the review process I would suggest that the information required in response to items 76 through 105 be gathered prior to the review.

Before a review is scheduled you will be contacted to ensure a mutually agreeable date. You will also receive a list of loans to be reviewed prior to the scheduled review.

At the conclusion, an exit interview will be held with you, the lender. You will also be mailed, within three weeks, a complete written report, including a summary and recommendations.

A breakout session on Lender Oversight will be held at the Second Annual SBA Virginia Lender Conference that will be held on May 10-12, 2000, at the Natural Bridge Inn and Conference Center in Natural Bridge, Virginia. **HOPEFULLY**, I will see you there.

WE'RE ON THE WEB!
<http://www.sba.gov/va/>

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CALENDAR OF RICHMOND DISTRICT OFFICE EVENTS

INTRODUCTION TO SBA LENDING COURSE: A nuts and bolts course on how to make, close, service and liquidate SBA loans. Call Josette Mills at (804) 771-2400, ext. 110 to reserve your spot!

*June 14 Roanoke, Chamber Office, 212 S. Jefferson Street
*September 12 Richmond, Federal Building

LENDER ROUNDTABLE MEETINGS: Two-hour meetings to discuss current issues and answer your questions.

*June 27 Richmond

SBA VIRGINIA LENDERS' CONFERENCE: May 10-12, 2000 at the Natural Bridge Inn & Conference Center. Call Peggy FaJohn, SBA, at (804) 771-2400, ext. 153 for registration information.

SMALL BUSINESS WEEK AWARDS LUNCHEON: June 9, 2000, Marriott Hotel, Richmond, VA

VISIT OUR CALENDAR OF EVENTS WEBSITE: <http://www.sba.gov/calendar/states/calva.html>